IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

LYNN GOFFMAN and HARVEY L. YOUNG, derivatively on behalf of ENRON CORP.	§	
Plaintiffs,	§	
V.	§	CIVIL ACTION NO. 9:01CV289
ROBERT A. BELFER, NORMAN P. BLAKE, JR., RONNIE C. CHAN, JOHN H. DUNCAN, ANDREW FASTOW, WENDY L. GRAMM, ROBERT K. JAEDICKE, KENNETH L. LAY, CHARLES A. LEMAISTRE, JOHN MENDELSOHN, PAULO V. FERRAZ PEREIRA, FRANK SAVAGE, JEFFERY K. SKILLING, JOHN A. URQUHART, JOHN WAKEHAM, and HERBERT WINOKUR, JR.	§	
Defendants,	§	
and	§	
ENRON CORP., an Oregon Corporation,	§	
Nominal Defendant	§	

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

Plaintiffs, Lynn Goffman and Harvey L. Young, by their attorneys, bring this action derivatively on behalf of nominal defendant Enron Corp., ("Enron" or the "Company") and alleges upon personal knowledge as to themselves and their own acts, and as to all other matters upon information and belief based uopn, *inter alia*, the investigation made by and through their attorneys, as follows:

I. INTRODUCTION

1. This derivative action is brought on behalf of shareholders of Enron to redress wrongdoings that occurred in connection with Enron's investments in limited partnerships which were controlled by Defendant Andrew Fastow ("Fastow"), Enron's Chief Financial Officer, and approved by Enron's Board of Directors (the "Director Defendants", as defined herein) (collectively, "Defendants"), and which resulted in losses to Enron estimated to be at least $35 million and reduction in shareholders' equity of at least $1.2 billion. Plaintiffs allege that Defendants' actions, as complained of herein, breached fiduciary duties of loyalty and due care that Defendants owed to Enron and its stockholders.

II. THE PARTIES

A. Plaintiffs

2. Plaintiffs Lynn Goffman ("Goffman") and Harvey L. Young ("Young") have been the owner of Enron common stock since prior to the transactions herein complained of and continuously to date. Plaintiff Goffman is a resident of the State of Illinois. Plaintiff Young is a resident of Florida.

B. Nominal Defendant

3. Defendant Enron is a corporation organized and existing under the laws of the State of Oregon with principal corporate offices located in Houston, Texas. Enron provides products and services related to natural gas, electricity and communications to wholesale and retail customers. Enron's operations are conducted through its subsidiaries and affiliates, which are principally engaged in the: (i) transportation of natural gas through pipelines to markets throughout the United States; (ii) generation, transmission and distribution of electricity to markets in the northwestern United Sates; (iii) marketing of natural gas, electricity and other commodities and

related risk management and finance services worldwide; (iv) development, construction and operation of power plant pipelines and other energy related assets worldwide; (v) delivery and management of energy commodities and capabilities to end-use retail customers in the industrial and commercial business sectors; and (vi) development of an intelligent network platform to provide bandwidth management services and the delivery of high bandwidth communication applications. Enron common stock is actively traded on the New York Stock Exchange under the symbol "ENE".

C. Director Defendants

4. Defendants Robert A. Belfer ("Belfer"), Norman P. Blake, Jr. ("Blake"), Ronnie C. Chan ("Chan"), John H. Duncan ("Duncan"), Wendy L. Gramm ("Gramm"), Robert K. Jaedicke ("Jaedicke"), Kenneth L. Lay ("Lay"), Charles A. Lemaistre ("Lemaistre"), John Mendelsohn ("Mendelsohn"), Paulo V. Ferraz Pereira ("Pereira"), Frank Savage ("Savage"), Jeffrey K. Skilling ("Skilling"), John A. Urquhart ("Urquhart"), John Wakeham ("Wakeham"), and Herbert S. Winokur, Jr. ("Winokur") (collectively, the "Director Defendants" or the "Board") constitute the Board of Directors of Enron. As the following paragraphs indicate, each Director Defendant has extensive business leadership experience with certain Director Defendants having specific leadership experience in investments and other business lines of Enron.

5. Defendant Belfer has been an Enron director since 1983. Belfer's principal occupation is Chairman and Chief Executive Officer of Belco Oil & Gas Corp. ("BPC"), a company formed in 1992. Prior to his resignation in April 1986 from BPC, a wholly owned subsidiary of Enron, Belfer served as President and then Chairman of BPC. Defendant Belfer is a resident of either the State of New York, the State of New Jersey, or the State of Connecticut.

6. Defendant Blake has been an Enron director since 1993. Blake is Chairman, President and Chief Executive Officer of Comdisco Inc., a diversified technical equipment leasing and information technology services company. Previously, Blake served as Chief Executive Officer and Secretary General of the United State Olympic Committee. Blake served as chairman, President and Chief Executive Officer of the Promus Hotel Corporation from December 1998 until November 1999 when it merged with the Hilton Hotels Corporation. From November 1990 until May 1998, he served as Chairman, President and Chief Executive Officer of USF&G Corporation until its merger with the St. Paul Companies. Blake is also a director of Owens-Corning Corporation. Defendant Blake is a resident of the State of Colorado.

7. Defendant Chan has been an Enron director since 1996. Chan has been Chairman of Hang Lung Group, comprising three publicly traded Hong Kong-based companies involved in property development, property investment and hotels. Chan also co-founded and is a director of various companies within Morningside/Springfield Group, which invests in and manages private companies in the manufacturing and service business, and engages in financial investments. Chan is also a director of Standard Chartered PLC and Motorola, Inc. Defendant Chan is a resident of Hong Kong.

8. Defendant Duncan has been an Enron director since 1985. Duncan's principal occupation has been investments since 1990. Duncan is also a director of EOTT Energy Corp. (the general partner of EOTT Energy Partners, L.P.) and Group 1 Automotive Inc. Defendant Duncan is a resident of the State of Texas.

9. Defendant Gramm has been an Enron director since 1993. Gramm is an economist and Director of the Regulatory Studies Program of the Mercatus Center at George Mason University.

From February 1988 until January 1993, Gramm served as Chairman of the Commodity Futures Trading Commission in Washington, D.C. Gramm is also a director of IBP, Inc., State Farm Insurance Co., and Invesco Funds. Gramm was also a director of the Chicago Mercantile Exchange until December 31, 1999. Defendant Gramm is a resident of either the District of Columbia, Commonwealth of Virginia, or the State of Maryland.

10. Defendant Jaedicke has been an Enron director since 1985. Jaedicke is Professor (Emeritus) of Accounting at the Stanford University Graduate School of Business in Stanford, California. He has been on the Stanford University faculty since 1961 and served as Dean from 1983 until 1990. Jaedicke is a director of California Water Service Company and Boise Cascade Corporation and he plans to retire from the Boise Cascade Corporation board in April 2001. Jaedicke was also a director of GenCorp, Inc. until July 2000. Defendant Jaedicke is a resident of the State of California.

11. Defendant Lay has been an Enron director since 1985. Lay has been Chairman of the Board of Enron since 1986. From 1986 until February 2001, Lay was also the Chief Executive Officer of Enron. Lay is also a director of Eli Lilly and Company, Compaq Computer Corporation, EOTT Energy Corp. (the general partner of EOTT Energy Partners, L.P.), i2 Technologies, Inc., and NewPower Holdings, Inc. Defendant Lay is a resident of the State of Texas.

12. Defendant Lemaistre has been an Enron director since 1985. Lemaistre served as President of the University of Texas M.D. Anderson Cancer Center in Houston, Texas and now holds the position of President Emeritus. Defendant Lemaistre is a resident of the State of Texas.

13. Defendant Mendelsohn has been an Enron director since 1999. Mendelsohn has

served as President of the University of Texas M.D. Anderson Cancer Center. Prior to 1996, Mendelsohn was Chairman of the Department of Medicine at Memorial Sloan-Kettering Cancer Center in New York. Mendelsohn is also a director of ImClone Systems, Inc. Defendant Mendelsohn is a resident of the State of Texas.

14. Defendant Pereira has been an Enron director since 1999. Pereira is Executive Vice President of Group Bozano. Pereira served for over five years as President and Chief Operating Officer of Meridional Financial Group and Managing Director of Group Bozano. Pereira is also the former President and Chief Executive Officer of the State Bank of Rio de Janeiro.

15. Defendant Savage has been an Enron director since 1999. Savage has served as Chairman of Alliance Capital Management International (a division of Alliance Capital Management L.P.). Savage is also a director of Lockheed Martin Corporation, Alliance Capital Management L.P. and Qualcomm Corp. Defendant Meyer is a resident of the State of Oregon.

16. Defendant Skilling has been an Enron director since 1997. Since February 2001, Skilling has served as President and Chief Executive Officer of Enron. Skilling served as President and Chief Operating Officer of Enron from January 1997 through February 2001. From August 1990 until December 1996, he served as Chairman and Chief Executive Officer of Enron North America Corp. and its predecessor companies. Skilling is also a director of the Houston Branch of the Federal Reserve Bank of Dallas. Defendant Skilling is a resident of the State of Texas.

17. Defendant Urquhart has been an Enron Director since 1990. He also served as a Vice Chairman of Enron from 1991 through 1998. Defendant Urquhart is a resident of the State of Connecticut.

18. Defendant Wakeham has been an Enron director since 1994. Wakeham is a retired former U.K. Secretary of State for Energy and Leader of the Houses of Commons and Lords. He served as a Member of Parliament from 1974 until his retirement from the House of Commons in April 1992. Prior to his government service, Wakeham managed a large private practice as a chartered accountant. He is currently Chairman of the Press Complaints Commission in the U.K. and chairman or director of a number of publicly traded U.K. companies. Defendant Wakeham is a resident of England.

19. Defendant Winokur has been an Enron Director since 1985. Winokur is Chairman and Chief Executive Officer of Capricorn Holdings, Inc. (a private investment company) and Managing General Partner of Capricorn Investors, L.P., Capricorn investors II, L.P. and Capricorn Investors III, L.P., partnerships concentrating on investments in restructure situations, organized by Winokur in 1987, 1994 and 1999, respectively. From August 2000 until March 2001, Winokur served as Non-executive Chairman of Azurix Corp. Prior to his current appointment, Winokur was Senior Executive Vice President and a director of Penn Central Corporation. He is also a director of NATCO Group, Inc., Mrs. Fields' Holding Company, Inc, CCC Information Services Group, Inc., and DynCorp. Defendant Winokur is a resident of the State of Connecticut.

D. Defendant Fastow

20. Defendant Fastow was the Executive Vice President and Chief Financial Officer of Enron since July 2000. Previously, from March 1998 to July 1999, he was the Senior Vice President and Chief Financial Officer of Enron. He also served as the senior Vice President of Finance of Enron from January 1997 to March 1998. Fastow was also the founder and managing

member of LJM Cyman LP ("LJM") and LJM2 Co-Investment LP ("LJM2") from their formation in 1999 until July 2001.

III. JURISDICTION AND VENUE

21. This derivative action is brought pursuant to Rule 23.1 of the Federal Rules of Civil Procedure.

22. This Court has jurisdiction over this action pursuant to 28 U.S.C. §1332(a)(1). Plaintiffs and all Defendants are residents of different states. The amount in controversy between Plaintiffs and the Defendants exceeds $75,000, exclusive of interest and costs. This is not a collusive action to confer jurisdiction on this Court which it would not otherwise have.

23. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b). The Nominal Defendant, Enron Corporation, is a resident of Texas and this District. Venue is proper in this District because the Defendant is a resident of this District, some or all of the events, actions, and failures to act giving rise to the claims asserted herein occured in this District, and a substantial part of property, including pipelines and other property, that is the subject of the action is situated in this District.

IV. SUBSTANTIVE ALLEGATIONS

24. In 1999, Enron's Board of Directors approved Defendant Fastow's formation of two investment partnerships, LJM and LJM2. These two partnerships are private investment companies that, according to Enron's public filings, engage in acquiring or investing in primarily energy-related investments. Fastow was the managing member of the general partner of each of the two partnerships.

25. According to published reports, the general partner of the two investment partnerships were paid management fees of as much as 2% annually of the total amounts invested

in the partnerships. Additionally, the general partner was eligible for profit participation that could produce tens of millions of dollars more if the partnerships met their performance goals over their projected 10 year life. Inasmuch as the partnerships were formed with the intention of managing over $200 million in assets, Defendant Fastow's potential profits from managing the partnerships exceeded $4 million a year.

26. Since their formation, LJM and LJM2 have engaged in billions of dollars of complex hedging transactions with Enron, in which Enron had adverse interests. By their very nature, Enron's transactions with these two investment partnerships, if successful, would result in losses to Enron.

27. Fastow, as Enron's CFO, owed the Company and its shareholders a fiduciary duty of loyalty. The very nature of the transactions, with the partnerships (managed by Fastow) being adverse to Enron (with Fastow as its CFO), created a violation of Fastow's duty of loyalty to Enron and its shareholders. It is unprecedented, as here, for a senior corporate officer, such as Fastow, to engage in billions of dollars of transactions with his employer on behalf of unaffiliated investment entities with adverse interests.

28. Each of the members of Enron's Board has a fiduciary duty of loyalty and due care to the Company. The members of Enron's Board of Directors, in approving the structure of the transactions, breached their fiduciary duties of loyalty and due care to the corporation.

29. Because Defendant Fastow was on both sides of the transactions between Enron and the investment partnerships, the terms of those transactions were not at arm's-length and there was no reasonable method to ensure that the terms of those transactions were equivalent to transactions that could have been engaged in with third parties.

30. Specifically, in 1999, Enron entered into a series of complex transactions involving LJM and a third-party, pursuant to which (i) Enron and the third-party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price of the day of the agreement, (ii) LJM received about 6.8 million shares of Enron common stock, and (iii) Enron received a note receivable and certain financial instruments from LJM hedging an investment held by Enron.

31. During the fourth quarter of 1999, LJM2 acquired approximately $360 million of merchant assets and investments from Enron. Further, in December 1999, LJM2 entered into agreements to acquire certain of Enron's interests and assets for about $45 million.

32. In 2000, Enron again entered into transactions with LJM, LJM2, and entities related to LJM and LJM2, to hedge certain merchant investments and other assets. Enron contributed about $1.2 billion of assets, including notes payable and restricted shares of outstanding Enron common stock and warrants, to LJM related entities. Additionally, Enron entered into derivative transactions with a combined amount of about $2.1 billion with LJM related entities to hedge certain assets.

33. Notwithstanding the actual conflicts of interest and the magnitude of the business dealings, the Board of Directors of Enron approved the structure of the financial relationships between Enron, LJM and LJM2. Among other things, the Board of Directors of Enron approved Fastow's formation of LJM and LJM2, and his participation as the managing member of the general partner of these two partnerships.

34. The formation of the limited partnerships for the benefit of Fastow, and the nature of the transactions between Enron and those partnerships, was subject to numerous criticisms by

investors. As reported in *TheStreet.com* on May 9, 2001, "one area of the company's financial statements . . . that consistently bugs analysts is the part that describes Enron's related party transactions . . . In fact, one of the related entities that Enron has traded with is headed by Enron's CFO, Andrew Fastow. The energy analyst comments, 'Why are they doing this? It's just inappropriate."

35. In fact, the LJM2 offering document, which was prepared under the direction of Defendant Fastow, admitted that the responsibilities of Fastow and other partnership officials to Enron could "from time to time conflict with fiduciary responsibilities owed to the Partnership and its partners." As reported by *The Wall Street Journal* on October 17, 2001, some institutions determined not to invest in LJM because of the potential conflicts.

36. *TheStreet.com* further reported on July 12, 2001, that there was much "chatter" about the transactions with LJM and LJM2. When questioned about the impact of these transactions on Enron's earnings for the second quarter of 2001, Defendant Skilling misrepresented the true state of affairs by replying only that LJM and LJM2 had done "a couple of real minor things."

37. Response to the consistent criticism of the transactions between Enron and LJM and LJM2 began to take place in July 2001, when Fastow terminated his interests in the partnerships, and Enron unwound its financial relationships with the partnerships.

38. Thereafter, on October 16, 2001, Enron announced that it was taking a $1.01 billion charge mostly connected with write-downs of soured investments, producing a $618 million third-quarter loss.

39. In a craftily worded press release issued on October 16, 2001, Enron acknowledged that it was required to recognize "non-recurring charges," including "$544 million related to

losses associated with [among other things] early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity."

40. According to *The Wall Street Journal*, in a news report on October 17, 2001, the cryptic reference in the press release was to the "pair of limited partnerships that until recently were run by Enron's chief financial officer." *The Wall Street Journal* also indicated that Enron privately acknowledged that its transactions with those partnerships resulted in write-downs of $35 million.

41. Defendant Lay also acknowledged in a conference call after issuance of the October 16, 2001 press release, that Enron would take a $1.2 billion write-down to shareholder's equity related to a "removal of an obligation to issue a number of shares."

42. Defendants did not acknowledge, however, until October 17, 2001, that the $1.2 billion write-down was attributable to Enron's transactions with Fastow's investment partnerships. On October 18, 2001, *The Wall Street Journal* reported that in a conference call on October 17, 2001, Defendant Lay stated that 55 million shares had been repurchased by Enron, as the company "unwound" its participation in the transactions with the limited partnerships.

43. According to Rick Causey, Enron's chief accounting officer, these shares had been contributed to a "structured finance vehicle" set up in 1999 in which Enron and LJM2 were the only investors. In exchange for the stock, LJM2 provided Enron with a note. When Enron reacquired the 55 million shares, it also cancelled the note from the partnership.

44. Defendants failed to disclose this huge reduction in assets and shareholder's equity attributable to Enron's transactions with the investment partnerships, either in the October 16, 2001 press release or on the October 16, 2001 conference call.

45. Remarkably, Defendant Lay reportedly denied the existence of any conflict of interest arising out of the LJM arrangement. Such related-party transactions, involving top managers or directors, aren't unusual, he said. "Almost all big companies have related-party transactions."

46. Lay's denial of the existence of any conflict of interest stands in sharp contrast to language that appeared in the LJM2 offering document. In addition to that document acknowledging that the responsibilities of Fastow and other partnership officials to Enron could "from time to time conflict with fiduciary responsibilities owed to the Partnership and its partners", a September 16, 1999 *Osprey Trust Osprey I, Inc. Offering Memorandum*, discussing other similar partnership agreements involving Fastow and Enron that were also approved by the Director Defendants, openly acknowledges the existence of clear conflicts of interest arising from these agreements. The *Osprey Trust Offering Memorandum* states in relevant part:

> Enron will own indirectly the managing member interest in Whitewing Management LLC, the sole general partner of Whitewing LP. As a result, Enron will exert significant influence over the policies, management and affairs of Whitewing LP, including its acquisition of Whitewing Assets from or originated by Enron. Certain individuals that serve as officers and directors of Enron may also serve as directors of Whitewing Management LLC. The directors and officers of Enron have fiduciary duties to manage Enron, including its investments in subsidiaries and affiliates such as Whitewing LP and Whitewing Management LLC, in a manner beneficial to Enron and its stockholders. Similarly, the directors and officers of Whitewing Management LLC have duties to manage Whitewing LP and it subsidiaries in a manner beneficial to Whitewing LP and its subsidiaries in accordance with the Whitewing Partnership Agreement. Therefore, the duties of the directors and officers of Enron may conflict with the duties of the directors and officers of Whitewing Management LLC. In addition, certain other conflicts of interest exist and may arise in the future as a result of the extensive relationships between Enron, Whitewing Management LLC and Whitewing LP and its subsidiaries. (Emphasis added).

47. In contrast to Defendant Lay's denial of an existence of a conflict, Defendant Lemaistre, an outside Enron director and president emeritus of the M.D. Anderson Cancer Center

at the University of Texas, said he viewed the partnership arrangement partly as a way of keeping Fastow at Enron. "We try to make sure that all executives at Enron are sufficiently well-paid to meet what the market could offer," he said. As reported by *The Wall Street Journal*, Enron's interest in retaining Fastow may have been heightened by an exodus of top managers who were cashing out large stock-option grants after the company's success in 1999 and 2000.

48. The aftershock of the aforementioned business transactions between Enron and the limited partnerships controlled by Fastow (which were approved of by the Director Defendants) has been devastating to, among other things, Enron's credit rating.

49. On October 25, 2001 Standard & Poor's revised Enron's outlook to negative while affirming its long and short-term credit rating of BBB- plus and A-2. The negative outlook acknowledges the potential for erosion of the company's credit quality as investors' confidence in the company's management has decreased.

50. Moody's Investor Service has placed all of Enron's long-term debt obligations on review for possible down grade after Enron took the $1.01 billion in write-downs and charges.

51. Fitch, another credit rating agency, warned that it might downgrade Enron's debt saying that the erosion of consumer confidence could block the company's access to capital markets.

52. Enron's investment grade 6.4 percent note due 2006, which in the second week of October 2001, were quoted to yield 2.3 percentage points more than the five year U.S. Treasuries, were being quoted at "junk bond prices" during the fourth week of October 2001. On October 26, 2001 they were being bid at 80 cents on the dollar, with a yield to maturity of 12.09 percent, or 8.34 percentage points more than treasuries. Likewise, Enron's 8.31 percent note due

2003, also traded at 80 cents on the dollar on October 26, 2001.

53. On the basis of the foregoing, Fastow and the Director Defendants breached the fiduciary duties that each of them owed to Enron and its public stockholders by entering into and expressly approving of a number of agreements that placed Defendant Fastow, Enron's former Chief Financial Officer, in a position where he was permitted to capitalize on his knowledge of Enron's proprietary financial information for the benefit of numerous partnerships of which he served as a general partner. Significantly, officers and directors of Enron were also investors in these partnerships. As such, by entering into and approving the agreements that enabled Fastow to act in dual capacities, Defendants effectively engaged in self-dealing and placed Fastow in a position where he was capable of misappropriating Enron's confidential financial information for the purpose of enriching the partnerships he served as a general partner of, as well as furthering the financial interests of other investors in the partnerships – all to the detriment of Enron. In so doing, Fastow and the Director Defendants breached their fiduciary duties of loyalty and due care that each of them owed to Enron and its public stockholders and caused Enron to incur substantial losses in the amount of at least $35 million and additional reductions in shareholder value of at least $1.2 billion.

V. DEMAND ON THE BOARD OF DIRECTORS

54. Plaintiff has not made a demand on the Board to pursue the claims herein, because such a demand would have been a futile act for the following reasons:

a. The Director Defendants themselves are accused of breaching their fiduciary duties and are implicated in, and liable for, failing to put into place adequate internal controls and adequate means of supervision to prevent the wrongful business practices and corporate waste described

herein;

b. The Director Defendants have for a substantial time been aware of some or all of the wrongs forming the basis for the claims alleged herein, but have chose not to protect Enron or rectify the policies and practices complained of herein. The Director Defendants participated in, acquiesced in and approved the wrongs alleged herein and did so in affirmative violation of their duties to Enron and its stockholders and have permitted the wrongs alleged and/or have remained inactive although they have long had knowledge of those wrongs. The Director Defendants therefore participated in a continuing course of corporate misconduct, self-dealing, mismanagement and waste;

c. The Director Defendants herein are accused of conduct that is not subject to ratification or otherwise subject to business judgement protection;

d. The wrongful actions and/or inactions by the Director Defendants alleged herein amounted to breaches of their fiduciary duty of good faith, disclosure, due care and loyalty to Enron and its stockholders, and the abdication of their responsibilities give rise to liability to the Company;

e. The Director Defendants failed to put into place adequate internal controls and adequate means of supervision to stop the wrongful business practices and corporate waste alleged herein and engaged in self-dealing as specifically alleged herein; and

f. By virtue of their position as officers and/or board members and in view of their collective experience as corporate leaders, Fastow and the Director Defendants knew or should have known of the existence of the wrongful business practices, self-dealing and corporate waste described herein.

COUNT I

BREACHES OF FIDUCIARY DUTIES OF LOYALTY AND DUE CARE

55. Plaintiff repeats and realleges each and every allegation contained above with the same force and effect as though fully set forth herein.

56. Fastow and the Director Defendants owe Enron and its stockholders the fiduciary duties of due care and loyalty and the duty to exercise, in the performance of their responsibilities as directors, the care that a reasonably prudent person in a similar position would use under similar circumstances. These duties included the duty to not engage in self-dealing to the detriment of Enron and its stockholders and the exercise of reasonable care in the oversight and supervision of the Company's corporate affairs and management. As set forth herein, Fastow and the Director Defendants violated those duties through their bad faith and/or gross negligence which caused or contributed to the commission of the wrongs complained of herein.

57. Based on the foregoing allegations, Fastow and the Director Defendants have violated their fiduciary duties of due care, loyalty, reasonable inquiry, oversight, good faith and supervision.

58. Fastow and the Director Defendants knew of and were reckless or grossly negligent in causing or failing to prevent the self-dealing, wrongful business practices and corporate waste alleged herein, or they recklessly or with gross negligence failed to ascertain and avert such business practices and corporate waste.

59. Fastow and the Directors Defendants' breaches of fiduciary duty of loyalty and due care have proximately caused or will cause Enron to suffer substantial monetary damages as a result of the wrongful business practices and corporate waste described herein, as well as yet

undetermined damages arising out of the tarnishing of Enron's credit quality, image and goodwill.

JURY DEMAND

60. Plaintiffs demand a trial by jury on all issues so triable.

PRAYER

WHEREFORE, Plaintiffs respectfully pray for judgment as follows:

a. Against Fastow and each Director Defendant and in favor of nominal Defendant Enron for the amount of damages sustained by the Company as a result of the breaches of fiduciary duties alleged herein;

b. Requiring Fastow and the Director Defendants to return all of the profits resulting from the illicit self-dealing engaged in by them, as well as all of the salaries and the value of other remunerations of whatever kind paid to them by the Company during the time they were in breach of the fiduciary duties they owed to Enron;

c. Order the Director Defendants, and those under their supervision and control, to implement and enforce policies, practices and procedures on behalf of Enron and its stockholders that are designed to detect and prevent the misconducts described herein;

d. Awarding Plaintiffs the costs and disbursements of this action, together with reasonable attorneys' fees and costs and expenses; and

e. Such other and further relief as the Court may deem just and proper in light of all the circumstances of this case.

Dated: November 2, 2001

Respectfully submitted,

KRISLOV & ASSOCIATES
20 North Wacker Drive, Suite 1350
Chicago, IL 60606
Tel: (312) 606-0500
Fax: (312) 606-0207

By: Clinton A. Krislov by permission JMB
Clinton A. Krislov, Lead Counsel
Id. No. 26711
Michael R. Karnuth
Michael Rosenblat

J. Michael Bradford, SBN: 02818270
Hubert Oxford, III, SBN: 15392000
BENCKENSTEIN & OXFORD, L.L.P.
P.O. Box 150
3535 Calder Avenue, Suite 300 (77706)
Beaumont, Texas 77704
Tel: (409) 833-9182
Fax: (409) 833-8819

Anthony M. Blumberg
BLUMBERG & DORE
33 North Dearborn, Suite 1410
Chicago, IL 60602
Tel: (312) 368-8669
Fax: (312) 332-0736

Donald A. Statland
LAW OFFICES OF DONALD A. STATLAND
175 West Jackson Blvd., Suite 1600
Chicago, IL 60604
Tel: (312) 726-3898
Fax: (312) 759-0402

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LUFKIN DIVISION

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VERIFICATION

I, J. Michael Bradford, hereby declare as follows:

1. I am an attorney with the law firm of Benckenstein & Oxford, L.L.P., which was retained by plaintiffs, Lynn Goffman and Harvey L. Young to file the above captioned derivative complaint on behalf of Enron Corp. ("Enron" or the "Company".)

2 The allegations contained in the verified complaint are based upon the investigation of the attorneys retained by plaintiffs, including review of press releases, news

articles and public filings made by the Company to the SEC, as well as information provided by the plaintiffs.

3. I have participated in the compilation of the complaint and have read the complaint and hereby make this verification on behalf of plaintiffs, Lynn Goffman and Harvey L. Young, that the contents thereof are true to my own knowledge, except as to matters therein stated to be alleged on information and belief, which matters I believe to be true. I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 7, 2001.

J. Michael Bradford
State Bar No. 02818270

Sworn to before me this 7th day of November, 2001.

Notary Public, State of Texas